



## Legislation Text

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**DATE:** February 11, 2020

**SUBJECT:**

**PRESENTATION AND DIRECTION TO STAFF REGARDING TOPGOLF AND EAST HARBOR ISLAND - RECOMMENDED CONFIGURATION OF PUBLIC SPACE AND DEVELOPMENT SITES AS FOLLOW UP TO PREVIOUS BOARD DIRECTION**

**EXECUTIVE SUMMARY:**

At the November 5, 2019 Board meeting, staff presented Topgolf as an attractions concept intended to accommodate visitors to the water in the East Harbor Island (EHI) area (see Attachment A; East Harbor Island Location Map). The Board waived the requirement for a competitive solicitation process under BPC Policy 360 and directed staff to negotiate and enter into an Exclusive Negotiating Agreement (ENA) with Topgolf through December 31, 2020.

The Board also directed staff at this meeting to engage a consultant to establish a comprehensive plan for the EHI area that holistically considers the placement of public space and development sites. Staff enlisted Civitas, an urban design and landscape architecture firm presently assisting with the Port Master Plan Update (PMPU) effort, to prepare options for potential land use configurations in EHI. The preliminary draft presentation is included as Attachment B.

Staff is seeking Board direction regarding the proposed configuration of uses in the EHI area, as well as confirmation of the preferred proposed location for a Topgolf attraction so that staff may continue to negotiate the ENA with Topgolf.

**RECOMMENDATION:**

Receive staff's presentation and provide direction to staff regarding the land use configuration for East Harbor Island, as well as confirm the proposed siting of the Topgolf attraction.

**FISCAL IMPACT:**

Funds associated with the PMPU are budgeted in the Planning Department's FY 2020 budget within the Professional Services expense account (#620100). Funds required for future fiscal years associated with this topic will be budgeted for in the appropriate year subject to Board approval upon adoption of each fiscal year's budget.

**COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goal(s).

- A vibrant waterfront destination where residents and visitors converge.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.
- A financially sustainable Port that drives job creation and regional economic vitality.

## **DISCUSSION:**

### **Background**

As we begin 2020, the District finds itself favorably positioned to transform East Harbor Island (EHI). The District has aspirations to modernize, redevelop, and reinvigorate EHI with a balance of commercial recreation uses such as hotels, retail, restaurants, visitor-serving attractions and other coastal dependent uses like marinas and recreational boating facilities, while maximizing coastal access and providing the public opportunities to touch the water and launch areas for non-motorized recreational watercraft in balance with the protection of the environment.

EHI is conveniently located directly south of the San Diego International Airport and nestled between Downtown San Diego and the Point Loma Peninsula, with proximity to regional roadways and freeways. This area provides accessibility and views of the nearby aviation activity, as well as providing panoramic views of the Bay and Downtown San Diego. The basin side of EHI hosts the San Diego Harbor Police facilities and services at the entry to the island, while a large portion of the area is underutilized with existing off-airport parking and former rental car surface parking.

At the November 5, 2019 Board meeting, staff was directed to work with a consultant to establish a comprehensive plan for the EHI area that holistically considers the placement of public space and development sites, including how the Topgolf proposal, which was also presented on November 5, 2019, could be a potential attraction in EHI. The Board waived the requirement for a competitive solicitation process under BPC Policy 360 and directed staff to negotiate and enter into an ENA with Topgolf through December 31, 2020.

Staff enlisted Civitas, an urban design and landscape architecture firm presently assisting with the PMPU effort, to prepare options for potential land use configurations in EHI, as well as identify a preferred proposed location for Topgolf to be addressed in the ENA.

### **Recommended Master Plan Concept**

The master plan concept accounts for known development constraints, such as preserving the existing location of Harbor Police facilities, building height limits due to the proximity to the San Diego International Airport, and limitations on the configuration of the entrance road into Harbor Island from North Harbor Drive. The limitations on the configuration of the entrance road are due to the curve that transitions the road from north-south orientation to east-west orientation.

Staff recommends a proposed phasing scenario for EHI that proposes an attraction use that draws people to the water, such as Topgolf, in Phase 1. At this phase, the master plan proposes a mobility hub area with connections to potential water-transfer points and that accommodates parking for an attraction that could also be used for flexible space to establish activating uses on an interim basis. In addition to the siting of an attraction like Topgolf, the Phase I configuration accounts for a two-lane

vehicle access roadway, waterfront public park space, and pedestrian accessways that establish connections to, through, and around the area. Phase 1 also supports placement of a 500-room hotel at an optimum development location within the EHI area.

At Phase 2, the master plan concept proposes a second hotel with up to 360 rooms that could be situated on the interim mobility hub site. As part of this phase, it is proposed for this hotel development to include structured parking to serve the hotel use and adjacent attraction so that parking supplies can be shared efficiently in an amount deemed appropriate by demand studies conducted at that time.

The master plan concept also includes the potential for a Phase 3 scenario that allows for the future development of a 500-room hotel in the central portion of the area in the event an attraction use does not come to fruition or is removed. At full build-out under this scenario, there is the potential for up to 1,360 new hotel rooms for the EHI area. Under all phases of the proposed master plan, future development of commercial sites would require the developer's participation in adjacent public infrastructure.

In order to achieve the Board objective to maximize development potential in this area, while taking into consideration known development constraints in the planning area, the PMPU team's proposed land use configuration appropriately allocates areas for Recreation Open Space and Commercial Recreation development sites. Through consideration of the area in a comprehensive and holistic manner, the proposed master plan configuration prioritizes the placement of public spaces while optimizing the potential of future visitor-serving development by siting the development in a complementary manner.

The proposed land use configuration reflects the PMPU team's belief that park space located on the west side of the roadway would be more meaningful and better utilized than park space located landside of the roadway. Under a potential Phase 3 build-out scenario, the development intensity of the hotel rooms could be increased in the EHI Planning Area to 1,360 hotel rooms. Although this is a slight increase, it is believed that this represents a more reasonable and likely scenario for hotel development in this area. The proposed configuration also reflects a more accurate allocation of the amount of Recreation Open Space in the Planning Area, which results in a reduction from approximately 12 acres to approximately nine acres. Nine acres of Recreation Open Space still reserves a substantial area for creating activated public spaces that enhance the waterfront experience - both in one contiguous area, as well as along the water's edge.

## **Topgolf ENA**

In December 2019, staff provided the draft ENA to Topgolf for their review with the following milestones:

- First Submittal within 90 days of commencement of the ENA which includes:
  - Preliminary project description
  - Preliminary development cost estimate and pro forma financial analysis
- Second Submittal within 90 days of the First Submittal deadline which includes:
  - Detailed project description with substantial detail to understand the proposed

- development and commence environmental review
- Updated pro-forma including all programmatic components, stabilized Net Operating Income (NOI), cash flow projections for a 10-year operating period, and projected ground lease revenues to the District
- Refined architectural plans, including a site plan, elevations, floor plans, and three-dimensional renderings

The two submittals and other provisions will provide the District sufficient information to determine if Topgolf has the necessary experience and capability for the proposed project and to determine if the proposed project is the right fit for the allocated land area within EHI. The ENA negotiating period will go through December 31, 2020 and can be terminated by the Executive Director upon written notice, or if Topgolf does not meet the submittal deadlines or any other conditions of the ENA within the negotiating period.

Staff plans to return to the Board for preliminary project review and authorization to commence the California Environmental Quality Act (CEQA) environmental review once staff receives a complete Second Submittal. If the Board directs staff to commence environmental review on the Topgolf concept, staff will request to extend the negotiating period of the ENA through the environmental review process. Assuming the environmental review process will be 18 months, construction could begin in early-2022 and would take approximately 12 months with completion in early-2023.

Staff will continue negotiating with Topgolf for the site identified for the Topgolf attraction as confirmed by the Board. Through this process, development of commercial sites would be required to participate in adjacent public improvements.

### **Recommendation and Next Steps**

Based on Board feedback on the potential land use configuration for the EHI area, as well as confirmation of the preferred proposed location for a Topgolf attraction, staff will continue negotiating with Topgolf and return to the Board prior to December 31, 2020 for preliminary project review and request to commence CEQA.

### **General Counsel's Comments:**

The Office of the General Counsel has reviewed the agenda sheet and attachments, as presented to it, and approves them as to form and legality.

### **Environmental Review:**

This item includes a presentation and direction to staff regarding the land use configuration for East Harbor Island, as well as confirm siting of the proposed Topgolf attraction. The item and any Board feedback do not constitute an "approval" or a "project" under the definitions set forth in CEQA Guidelines Sections 15352 and 15378 because no direct or indirect changes to the physical environment would occur. CEQA requires that the District adequately assess the environmental impacts of projects and reasonably foreseeable activities that may result from projects prior to the approval of the same. While the Board may request certain concepts, uses, and other project components be included, alternatives studied or other direction, such direction to staff will not bind

the District to a definite course of action prior to CEQA review. Full CEQA analysis will be completed prior to the District's commitment to any project, components thereof, in whole or in part. Moreover, CEQA review may result in the District, in its sole and absolute discretion, requiring implementation of mitigation measures, adopting an alternative, including without limitation, a "no project alternative" or adopting a Statement of Overriding Consideration, if required. Based on the totality of the circumstances and the entire record, the Board's direction and action do not commit the District to a definite course of action prior to CEQA review being conducted. Therefore, no further CEQA review is required.

In addition, this presentation and direction to staff allows for the District to implement its obligations under the Port Act and/or other laws. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, this informational report is consistent with the Public Trust Doctrine.

Finally, this presentation and direction to staff to the Board does not allow for "development," as defined in Section 30106 of the Coastal Act, or "new development," pursuant to Section 1.a. of the District's CDP Regulations because it will not result in, without limitation, a physical change, change in use or increase the intensity of uses. Therefore, issuance of a CDP or exclusion is not required. However, the District's projects require processing under the District's CDP Regulations. If a project is formulated as a result of the informational report, the Board will consider approval of the project and any improvements associated after the appropriate documentation under District's CDP Regulations has been completed and authorized by the Board, if necessary. The Board's direction in no way limits the exercise of the District's discretion under the District's CDP Regulations.

**Equal Opportunity Program:**

Not applicable.

**PREPARED BY:**

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Attachment(s):  
Attachment A: East Harbor Island Location Map  
Attachment B: Preliminary Draft Presentation